

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 IGA-02 ABF-01 PA-02 PRS-01
SEC-01 L-03 H-02 JUSE-00 /118 W
-----241332Z 020077 /41

R 241059Z MAY 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4393
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
AMEMBASSY VIENNA
AMCONSUL ZURICH

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PASS TREASURY AND FRB

VIENNA FOR ELLIS

EO 11652: NA
TAGS: EFIN SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK OF MAY 15-21

1. SUMMARY: FINANCIAL MARKETS WERE CALM WITH ONLY
MINOR FLUCTUATIONS IN FOREIGN EXCHANGE RATES AND
GOLD PRICE. INVESTORS APPEARED TO BE HOLDING BACK
ON INVESTMENTS IN EXPECTATION OF HIGHER LONG-TERM
INTEREST RATES. LARGEST BANKS RAISED INTEREST
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RATES ON THEIR CASH BONDS. GENEVA VOTERS DEFEATED
MEASURE TO INCREASE AUTOMOBILE TAX. GENEVA INDICTMENT
PANEL WILL CONSIDER BERNARD CORNFELD CRIMINAL
CASE JUN 13. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: PRESS REPORTED
MARKET WAS QUIET AND STABLE DUE IN PART TO THURSDAY

HOLIDAY AND ABSENCE OF SENIOR DEALERS WHO ATTENDED FOREIGN EXCHANGE CLUB MEETING IN MONTREAUX. DEALERS SAID DECLINE IN APR US GNP GROWTH RATE CAUSED DOLLAR RATE AGAINST SWISS FRANC TO EASE SLIGHTLY. EASIER BUNDESBANK CREDIT MEASURES WERE SAID TO HAVE CAUSED DM RATE AGAINST SF TO EASE. GOLD PRICE WAS STABLE IN QUIET MARKET, THOUGH MARKET TURNOVER INCREASED SLIGHTLY ON FRIDAY. DEALERS BELIEVE LONG-TERM PRICE DEVELOPMENT MORE DIFFICULT TO PREDICT IN ABSENCE OF STRONG SUPPLY AND DEMAND TRENDS. RATES FOLLOW:

	5/16 (OPEN)	5/20 (CLOSE)
SPOT DOLLAR	2.5245	2.5185
FORWARD DISCOUNTS (PERCENT PER ANNUM)		
ONE MONTH	2.42	1.90
2 MONTHS	1.88	1.90
3 MONTHS	1.88	1.78
6 MONTHS	1.83	1.81
12 MONTHS	2.11	2.09
SF/DM	106.83	106.73
GOLD	147.50	147.00

3. CAPITAL AND MONEY MARKETS: MARKETS WERE QUIET. STOCK PRICES IMPROVED: SKA INDEX (1959 EQUALS 100) ROSE SLIGHTLY TO 220.5. SWISS NATIONAL BANK AGREEMENT WITH BANKS ON CALL MONEY RATE CANCELLED; NEW ARRANGEMENT TO BE NEGOTIATED.
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AVERAGE YIELD CONFEDERATION BONDS ROSE SLIGHTLY TO 4.17 PERCENT: SNB REPORTEDLY BOUGHT BONDS TO PREVENT DISCOUNTING THAT WOULD HAVE RAISED YIELD FURTHER. CANTON VAUD LOAN AT 4.25 PERCENT WAS UNDERSUBSCRIBED. KERNKRAFT LEIBSTADT AG LOAN AT 5 PERCENT ALSO FAILED TO ATTRACT INVESTORS. BANKS BELIEVE MARKET LACKS SUFFICIENT FIRST-CLASS BORROWERS. INVESTORS APPEARED TO BE AWAITING HIGHER LONG-TERM INTEREST RATES. CENTRAL OFFICE FOR MUNICIPAL LOANS REDUCED TO 12 YEARS AND DELAYED TO END MAY SF 78 MILLION LOAN AT 4.5 PERCENT INTEREST WHICH IS EXPECTED TO TEST MARKET CONDITIONS. DOMESTIC BANK LOANS OF 71 REPORTING BANKS IN JAN AND FEB 1977 WERE 8.1 PERCENT ABOVE SAME PERIOD 1976 AND IN MAR 1977 WERE UP 8.2 PERCENT OVER MAR 1976. SWISS MONEY SUPPLY WAS UP 6.5 PERCENT THIS YEAR AT END MAR. BANKS EXPECT SOME SF 1.5 BILLION IN EARLY LOAN REPAYMENTS TO INCREASE MARKET LIQUIDITY. LARGEST BANKS RAISED

THEIR CASH BOND INTEREST RATES:

DURATION	OLD RATE	NEW RATE
3-4 YEARS	3.25	3.5
5-6 YEARS	3.5	3.75
7-8 YEARS	3.75	4.00

4. AUTOMOBILE TAX: VOTERS IN GENEVA CANTON
MAY 22 REJECTED, BY 29,116 VOTES AGAINST TO 6,569
IN FAVOR, PROPOSAL THAT WOULD HAVE INCREASED
AUTOBOBILE TAX FROM 1.9 TO 2.3 PERCENT AND BROUGHT
IN ADDITIONAL SF 5.4 MILLION IN CANTONAL REVENUES.
CONTONAL BUDGET DEFICIT IS NOW EXPECTED TO INCREASE
TO SF 112 MILLION. OFFICIALS HAVE DISCOUNTED
POSSIBLE INDICATION THAT THIS RESULT MIGHT HAVE
FOR JUNE 12 REFERENDUM ON VALUE ADDED TAX. THEY
NOTED THAT MAY 22 VOTER TURN-OUT WAS SMALL (ONLY
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20.99 PERCENT OF THOSE ELIGIBLE) AND MORE IMPORTANT
ISSUE IS AT STAKE IN JUN 12 REFERENDUM.

5. INVESTORS OVERSEAS SERVICES: GENEVA INDICTMENT
PANEL WILL MEET JUN 12 TO DETERMINE WHETHER TO
SEND BERNARD CORNFELD CASE TO CRIMINAL COURT FOR
ACTIVITIES CONCERNING INVESTORS OVERSEAS SERVICES.
PRESS SPECULATED WHETHER CORNFELD, WHO IS REPORTEDLY
IN CALIFORNIA, WOULD ACTUALLY COME FOR TRAIL IF INDICATED. DAVIS

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Message Attributes

Automatic Decaptioning: X
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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